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Western Show Special—pp. 1
Warehouse stores': new report—pp. 26-61

National
Home Center News

Vol. 9, No. 22 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | October 24, 1983

Tom Wood, president of Wood Bros. in front of one of his three Tucson units, has agreed to sell the company—which his family has run for almost 40 years—to Payless Cashways for an undisclosed amount.

Payless Cashways set to acquire 3-unit, Tucson-based Wood Bros.

TUCSON, Ariz.—For the third time in less than a year, Payless Cashways has expanded through acquisition.

As of Dec. 1, the day after Payless' fiscal year ends, the 118-unit Kansas City, Mo., chain will assume ownership of the three-unit Wood Brothers here, which has been operated by the Wood family since 1946.

Payless, which has been in Tucson since 1947, and currently operates two stores here, said its long-range plans for the market have yet to be determined, but it appears that all five stores will remain open as "Payless Cashways" units.

"We would not have made this acquisition if we were finished expanding in the Tucson market," said Payless president David Stanley.

The transaction was for an undisclosed sum.

Stanley said that Wood Brothers stores per unit sales were "comparable" to the Payless stores in the market. In the 1982 *NHCN* Top 100 chains listing, Wood Brothers placed 96th, with sales of $13 million, or more than $4 million per store, 90% coming from DIY purchases.

The Wood Brothers stores, while being similar to Payless units in product mix and volume, do not exactly conform in size to a typical Payless store that ranges from 24,000 sq. ft. to 30,000 sq. ft., resting on about six to seven acres of land.

The Wood unit on the southeast side of the market is 27,000 sq. ft., with another 30,000 sq. ft. that is split, with half being used for shedding lumber and building materials, and the other half for warehousing. These buildings form a kind of "U" shape around the outside lumberyard, and the complex is situated on nine acres of land.

The second store, located in the southwest part of the city, is 24,000 sq. ft. and, according to Stanley, is more "lumber-oriented" than either the other

(Continued on page 82)

Pay 'N Pak slates 13 warehouses to open by 1985

Targeting Honolulu, San Fran Bay Area

By Brad Altman
West Coast Editor

KENT, Wash.—Pay 'N Pak is leaping into warehouse retailing with its first "Home Improvement Warehouse Outlet" to open in Honolulu next February and a dozen more to saturate the San Francisco Bay Area by 1985.

"It's a big, drastic turnaround," said David J. Heerensperger, Pay 'N Pak's chairman and ceo, of the chain's new retail thrust.

On Oct. 14, Pay 'N Pak opened its 100th store, a 18,-720-sq.-ft. store in Chico, Calif., featuring Pay 'N Pak's traditional mix which concentrates on the electrical, plumbing and heating and lighting categories.

David Heerensperger
chairman, ceo

Pay 'N Pak was one of two chains announcing moves to warehouse formats this month. Homecrafters will open its first two warehouse units by the end of the year. Story, page 2.

While Pay 'N Pak is completing a prototype warehouse at a 56,000-sq.-ft. store near company headquarters in Kent and is debuting its first unit in Hawaii early next year, Heerensperger commented that "all our energy is going into the [San Francisco] Bay Area."

(Continued on page 81)

Michigan Gen'l eyes retail growth but . . .

Will continue Diamond's contractor slant

By Greg Puchalski
NHCN senior editor

DALLAS—Michigan General, which completed the acquisition of 97 Diamond home centers from Diamond International late last month, plans to accelerate retail growth for the chain but to continue its strong emphasis on the contractor, according to John Boudreau, Michigan General president.

He said the company, based here, will seek to boost Diamond's consumer volume to 50% of chain volume from its present 35%. However, he emphasized, that figure will not exceed the 50% level.

Boudreau said his company is "thrilled" with the acquisition, which will permit it to use the stores in a vertical arrangement as a marketing vehicle for its Krestmark line of windows, doors and skylights.

Michigan General paid about $120 million for Diamond: $65 million in cash received from the sale of stock to institutional investors and from borrowings; $5 million in new cumulative preferred stock, and $10 million in common stock and a $40 million note. The stores will operate under the Diamond Lumber name.

The sale was part of Sir James Goldsmith's plan to divest his Diamond International holdings. The proceeds from the sales of the various Diamond businesses are being used in part to pay off the $455 million in debt he accumulated when he bought Diamond last year.

Reached by *NHCN* at Diamond's Boulder, Colo., offices while he was touring its facilities, Boudreau said contractor business will continue to flourish at the chain, with heavy lumber and building materials emphasis remaining.

"We have no intention of becoming another Payless Cashways," he said. "We are familiar with small towns [where many Diamond outlets are situated]. Our Savannah Wholesale operation often is the largest game in town."

Savannah Wholesale is the parent for Michigan General's 81 Allied stores which sell women's and children's clothing in the Southeast. Michigan General, in its retail division, also operates a chain of LFD furniture and accessory outlets in the South.

Evening out retail and contractor sales at Diamond is an immediate goal.

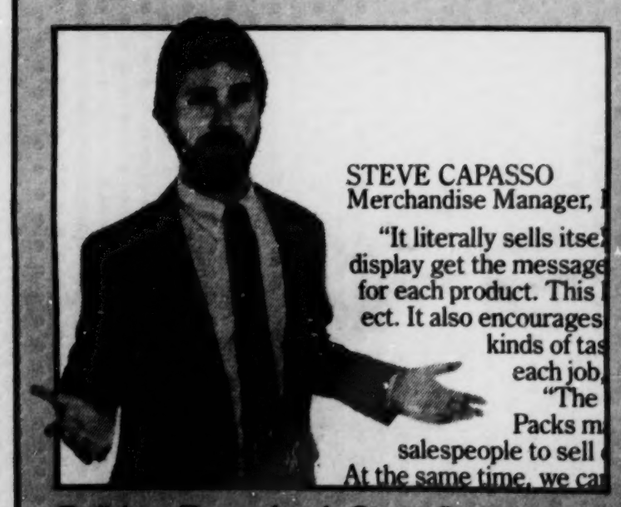
(Continued on page 81)

Home center execs find pitching products in ads to be a mixed blessing

Celebrity renews lost friendship

By John Caulfield
NHCN field editor

NATIONAL REPORT—Their names are not household words, and probably never will be. And there's little chance they'll rival product pitchmen like Joe DiMaggio or Lee Iacocca.



Builders Emporium's Steve Capasso appearing in vendor ad.

But when home center retailers lend their signatures, faces and company reputations to a vendor's trade print advertising, they are bestowed with a degree of industry celebrity, however fleeting.

Home center executives like Home Depot's Bernie Marcus, Forest City's Ed Seymour

(Continued on page 82)

NEWSBREAKS

HOUSE WORKS HALTS TV. House Works has canceled its entire TV advertising schedule for the fourth quarter, according to New Orleans television executives. The action comes on the eve of the opening of the warehouse operation's fifth New Orleans store and could signal a shift in advertising strategy for the W. R. Grace subsidiary.

INSIDE:

HOME CENTER DISTRIBUTION CENTERS: How retailers are handling systems and operations. A special report pp. 63-67
WICKES COS. and its creditors near agreement on reorganization plan ..... page 2
HOMECLUB OPENS DOORS to first two Los Angeles-area warehouse home centers ..... page 3
KITCHEN CABINET SHIPMENTS climbed substantially last month, according to the National Kitchen Cabinet Assn. page 4

NHCNews Briefs

Industry Update

National's offering nets $15 mil.

SANTA ANA, Calif.—National Lumber, the 12-unit chain headquartered in Santa Ana, Calif., completed its initial public offering of 1.5 million shares of common stock, underwritten at a price of $10 per share. The first day of trading, Oct. 3, saw the shares close at $10 ¾ bid, $11 ¼ ask. National is trading over-the-counter under the NTLB ticker symbol.

The offering consisted of one million newly issued shares and 500,000 shares worth $5 million offered by members of National president Mel Jaffee's family. The purpose of the offering is primarily to open new stores in southern California.

Somerville unit tops $3M in Sept.

SOMERVILLE, Mass.—Somerville Lumber reported sales of $3.25 million at its original store here during September, while the newer Westboro, Mass., unit sold $1.25 million of merchandise. The figures represent record sales for each unit.

Somerville officials said the combined September figures of $4.5 million was 48.9% higher than the same month last year. Sales year-to-date by the end of September were running 45.2% higher than the first nine months of 1982. Total 1983 sales are expected to top $46 million, compared with the 1982 figure of $34 million.

Scotty's readies largest unit

ST. PETERSBURG, Fla.—Scotty's has opened its largest store here and is readying an even larger 58,000-sq.-ft. unit across Tampa Bay in Temple Terrace, Fla., but company officials say the large stores do not represent new prototypes for the chain.

The units are unusual for Scotty's in another sense because the company is sharing the two former discount store locations with other retailers in a shopping center format. Only one other Scotty's unit in the 104-store chain is not freestanding, officials said.

The deviations from Scotty's normal under-roof 34,-000-37,000-sq.-ft., freestanding prototype result in part from the chain's occupancy of second-user sites to gain prime locations, according to officials.

Hugh Tuttle, retail operations vice president, explained that those stores occupy as much covered space as they do because Scotty's cannot operate outdoor storage and selling space there.

The largest Scotty's store under roof prior to these new units had been the 48,000-sq.-ft. outlet in Hypoluxo, Fla., Tuttle said.

Scotty's new St. Petersburg store had opening three-day sales of $103,246 from better than 8,400 transactions. It is in a former J. M. Fields location.

Goodbuys opens new prototype

PHILADELPHIA—Mr. Goodbuys is launching a new prototype with the grand opening of its fifth store—the second in this market—set for Oct. 16.

The chain, with outlets in Union, N.J. and Baltimore, will continue to concentrate on high ticket sales generated from a select few departments like kitchen and bath, flooring, ceiling and millwork. But new product lines, like telephones and paint, will be added.

"We want to use it for a draw," Mr. Goodbuys partner Steve Erlbaum said of the new paint department, which carries both a private label and national brand. Some electricals, hardware and plumbing have also been added.

"We're not going to look like a home center," said Erlbaum. "But we want to be able to sell some sundries."

He stressed that the new departments were included almost out of necessity, because certain of the chain's major profit areas, like kitchen and bath, required a basic presence in areas like plumbing to adequately serve customers.

National Home Center News

Vol. 9, No. 22 October 24, 1983

A View from the Street . . 6
Calendar 24, 73
Editorial 8
Financial News 74
Lumber Report 76
People 10
Price Point Survey 24
Washington View 8

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New Homecrafters units aim for increased retail business

By Greg Puchalski
NHCN senior editor

PELHAM, Ala.—Homecrafters, the 50-store Southeastern chain, will open its first two warehouse units, in Memphis, by the end of the year.

The new stores will be 61,000 sq. ft. and 80,000 sq. ft. in size, carry 35,000 stock keeping units valued at between $1.5 million and $2 million and concentrate on retail customers.

In contrast, the typical Homecrafters does about half its business with contractors and averages only 12,000 sq. ft. in size with up to 20,000 sku's valued at less than $500,000.

The chain, with sales of about $89 million last year, is making this sharp strategic shift because of the high volume potential that existing warehouse operations have exhibited.

For now, only the two initial warehouse stores are planned, however, according to Thomas Hunter, a spokesman for Homecrafter's parent company, Union Camp.

"After the two in Memphis open and we see how things are going, the future can be considered," he said.

Homecrafters officials said that the new stores will feature expanded building materials.

Homecrafters will be entering Memphis the way The Home Depot debuted the industry's first warehouse operation in Atlanta five years ago, taking over space once occupied by J. C. Penney's Treasure Island discount outlets.

In the meantime, Union Camp, a diversified forest products company with sales of $1.5 billion last year, remains ready to sell Homecrafters.

Wickes and creditors nearing agreement on plan to reorganize

By Kenneth Schept
NHCN senior editor

SANTA MONICA, Calif.—Wickes Cos. and its home center industry creditors could reach agreement in principle on a plan of reorganization by the end of the year, according to Jeff Chanin, Wickes senior vice president.

"The negotiations are moving along reasonably well, not quite as fast in terms of movement to date as originally expected," he said. "But it's speeded up in the past few weeks.

"Our view is that there is a high probability of an agreement in principle on a total plan of reorganization before the end of the calendar year."

Confirmation of such a plan would probably take place in the spring he said. In the meantime, confirmation is expected in November on four plans that have already been filed for Gambles Credit, Wickes Credit and Aldens and its subsidiary, America Direct. Also a Howard Bros. plan is expected to be filed within 30 days.

Chanin said that the plans filed so far account for about a quarter of Wickes' debt, which amounted to $1.6 billion when the company filed for Chapter XI protection on April 24, 1982.

The agreement in principle that could come by year-end involves all of the corporation's operating companies.

This joint plan, said Chanin, "will undoubtably involve distribution to various classes of creditors cash and various types of debt instruments and stock."

Such a combination of repayment methods is not unusual in a large bankruptcy and was set forth in the 250-page framework for negotiations that Wickes presented to its creditors last February.

Since then creditor committees have been meeting regularly to hammer out acceptable reorganization plans. While agreement in principle could be reached on the final, joint plan by late December, Chanin noted, "There are still major obstacles." He would not elaborate.

Resale decline pinned on rising interest rates

WASHINGTON—Existing single-family home sales declined for the second consecutive month, by 2.9%, in August, to a seasonally adjusted rate of 2.71 million units, according to the National Assn. of Realtors.

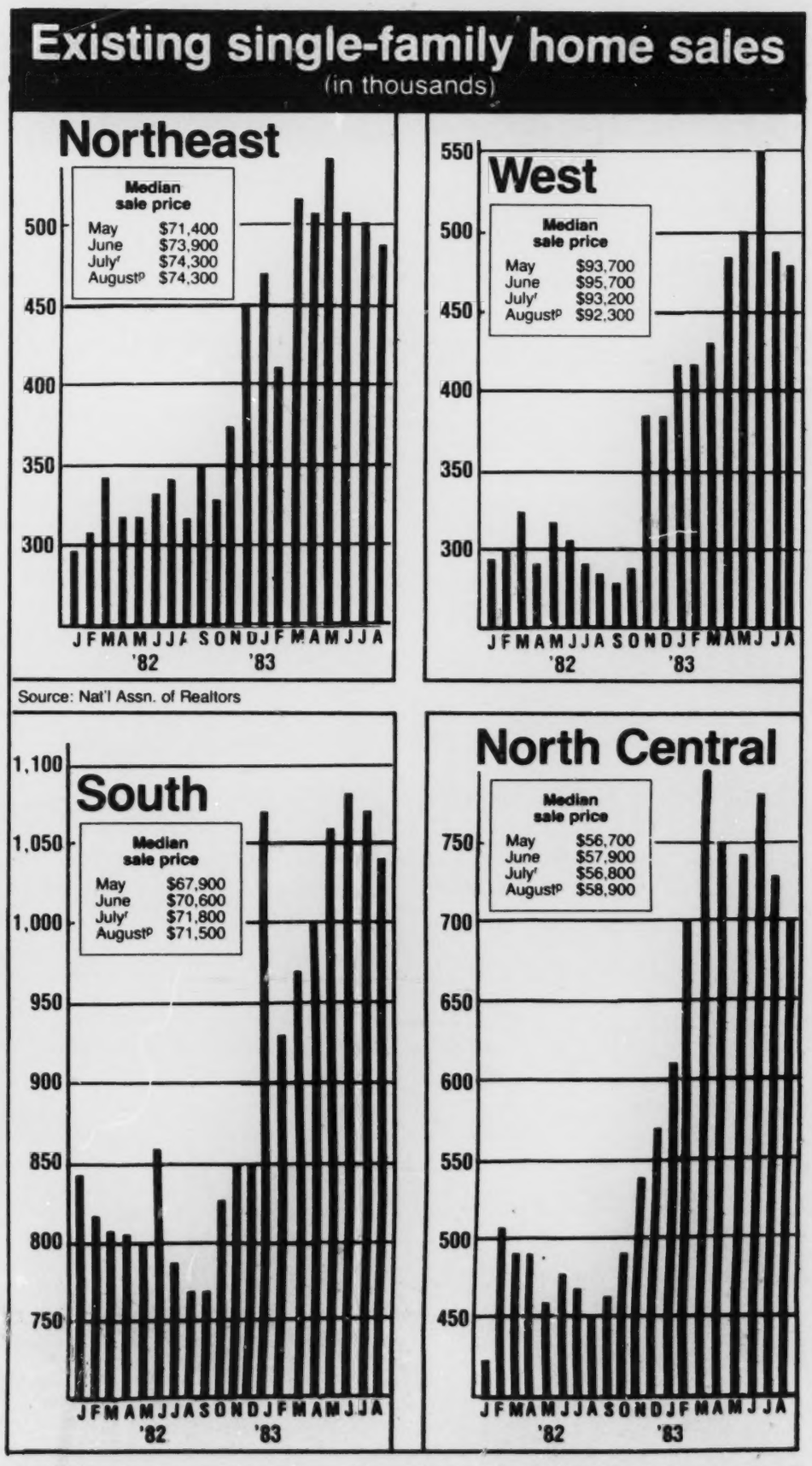
The August figure was the lowest resale rate since March 1983 and a response to "the summer rise of mortgage interest rates into the 13.5%-to-14% range," said Dr. Jack Carlson, the association's chief economist.

Resale activity declined in all regions, falling by 4.1% in the North Central, 2.8% in the South and 2% in the Northeast and the West. As a result, there were more homes on the market, an estimated 2.44 million units in August compared with 2.3 million for July.

In spite of the recent drop in home resales, August's figures are still up 45.7% compared with last year. "Home purchases at below market interest rates still are possible in many instances, for example, through such devices as seller-assisted financing and interest buydowns," explained Dr. Carlson.

Nationwide the median sales price of existing homes in August was $71,900 just $100 higher than the revised July figure and 4.4% higher than in August 1982.

Median sales prices of existing homes had increased in all regions over the last 12 months, with the exception of the West, where the median fell 5.8% to $92,300 in August. In the Northeast, median resale prices increased 14.2% over the past 12 months to $74,800 through August. In the North Central the median was $58,-900, up 5.9%, and in the South the August median was $71,-500, up 4.2% over last year.



Source: Nat'l Assn. of Realtors

Existing home sales were down in all regions for the month of August, the greatest drop being 4.1% in the North Central. The national rate was still 45.7% ahead of August 1982. The nationwide median sales price rose to $71,900, just $100 higher than the revised July price.

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FINANCIAL NEWS

STOCK PRICES

	As of 9/27	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	42¼	47⅜	25⅝	29
Edison Bros. Stores (NYSE) [Handyman, Homer's]	42¾	46¾	25	14
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	15¾	19½	7	—
Forest City (AMEX)	28¼	30⅝	13⅞	49
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	48⅜	50⅜	34⅞	14
Lowe's (NYSE)	24½	32¾	11¾	21
Pay 'N Pak (NYSE)	18½	24	16⅝	18
Payless Cashways (NYSE) [Furrow]	25½	34½	14¾	25
Scotty's (NYSE)	16	21⅛	13⅛	16
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16	16½	9	—
Standard Brands Paint (NYSE)	23¼	28¾	14⅞	16

Nasdaq national—over-the-counter stocks

	As of 9/27	52-week High	52-week Low	P/E Ratio
Color Tile	15⅜	28	13⅜	—
Hechinger	25¼	38½	19	—
The Home Depot	31	31¾	6⅛	—
Pay 'n Save	25⅞	27⅝	11⅛	—

Over-the-counter stocks

	As of 9/27 Bid	As of 9/27 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20½	23½	25	8½
Hines Lumber	26	27½	31	14¾
Home Centers of America	13¼	13¾	15½	5
Home Centers of America [units]	42	44	51½	13¼
Scotts Seaboard [Scott's]	5	5½	5	⅝
Wolohan Lumber	7¼	7½	10⅛	4⅛

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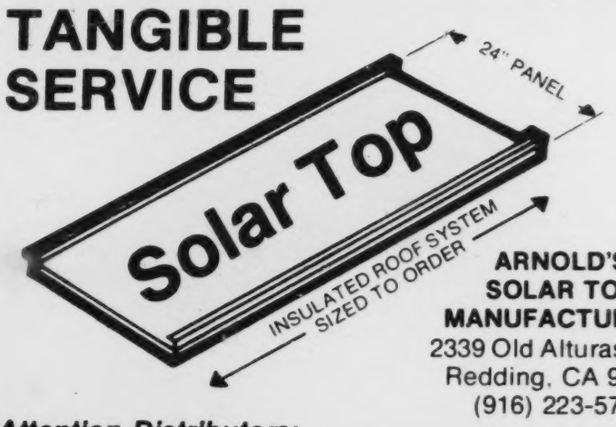

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FUTURES

Two weeks ended Sept. 30

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	182.00	164.60	182.00	175.90	5,107	229.90	161.10
Jan. '84	194.50	178.30	194.50	190.40	2,086	234.00	172.30
March	206.70	190.10	206.60	201.10	1,023	240.50	184.80
May	213.70	199.20	213.00	208.00	280	245.50	195.30
July	220.50	221.00	220.50	216.70	84	252.50	204.00
Sept.	224.50	217.50	224.00	222.90	41	236.00	209.80
Nov.	225.10	219.50	224.00	224.00	2	225.10	219.50

Total Contract Vol. (Through 9/30): 35,578 — **Previous Two Weeks: 27,855**
Total Open Interest (As of 9/29): 8,632 — **Previous Week: 8,815**
Cash Price: $156.80 — **Previous Week: $154.84** — **Year Ago: $127.40**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	195.30	182.50	195.30	188.00	613	226.60	177.20
Jan. '84	198.50	186.30	197.00	191.00	176	223.00	179.70
March	202.80	191.00	202.50	195.30	215	225.00	183.00
May	207.00	194.00	205.00	198.30	22	207.00	187.50
July	208.00	197.00	207.50	201.30	31	208.00	190.50
Sept.	210.00	203.50	210.00	—	1	210.00	203.50

Total Contract Vol. (Through 9/29): 1,223 — **Previous Two Weeks: 765**
Total Open Interest (As of 9/29): 1,058 — **Previous Week: 1,070**
Cash Price: $193.06 — **Previous Week: $186.20** — **Year Ago: $170.52**

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Lowe's nears $1B mark

NORTH WILKESBORO, N.C.—Lowe's September sales of $113.4 million, 34% ahead of last year, brought the 235-store chain's volume through the first eight months of its fiscal year to $947 million and all but assured the company of reaching the $1 billion mark before the end of its third quarter, this month.

Lowe's sales for all of last year reached $1.04 billion, the first time the company surpassed that mark.

In the September period, which covers the four weeks ended Sept. 23, sales to builders increased 59% from September 1982 to $55.8 million, while retail volume rose 15% to $57.6 million, officials said. The results boosted builder sales to 49% of the chain's September volume as opposed to only 41% a year ago.

Sales at the 233 Lowe's units opened for a year or more as of Sept. 23 were up 33%

Award solicitation begun

NATIONAL REPORT—The National Retail Merchants Assn. has begun soliciting entries for its 13th annual NORMA Awards presentation, scheduled Jan. 10 at the New York Hilton.

Co-sponsored by the Newspaper Advertising Bureau Inc., the awards are given each year in recognition of distinguished retail advertising in United States and Canadian dailies.

Alfred Eisenpreis, vp for retail marketing at NAB, said stores, advertising agencies and newspapers are eligible to submit entries. Up to six merchandise and institutional ads published as part of a daily or Sunday newspaper between Nov. 1, 1982, and Oct. 31, 1983, can be entered on behalf of each retailer.

Awards will be presented in six categories. Five merchandise award categories, broken down in terms of company sales volume, include $5 million and under, $5 to $25 million, $25 to $50 million, $50 to $100 million and over $100 million. The sixth category will include institutional ads only.

First place winners will receive a gold medal engraved with their company's name.

Tearsheets or other proof of publication should be sent, with an official entry blank, to NORMA Awards, NRMA Sales Promotion division, 100 West 31 St., New York, N.Y. 10001. All entries must be submitted by Nov. 7. There is a $3 entry fee for up to three entries, with a charge of $1 for each additional ad.

Further information can be obtained by writing Alfred Eisenpreis, Vice President, Newspaper Advertising Bureau, 485 Lexington Ave., New York, N.Y., 10017, or by telephoning him at 212-557-1857.

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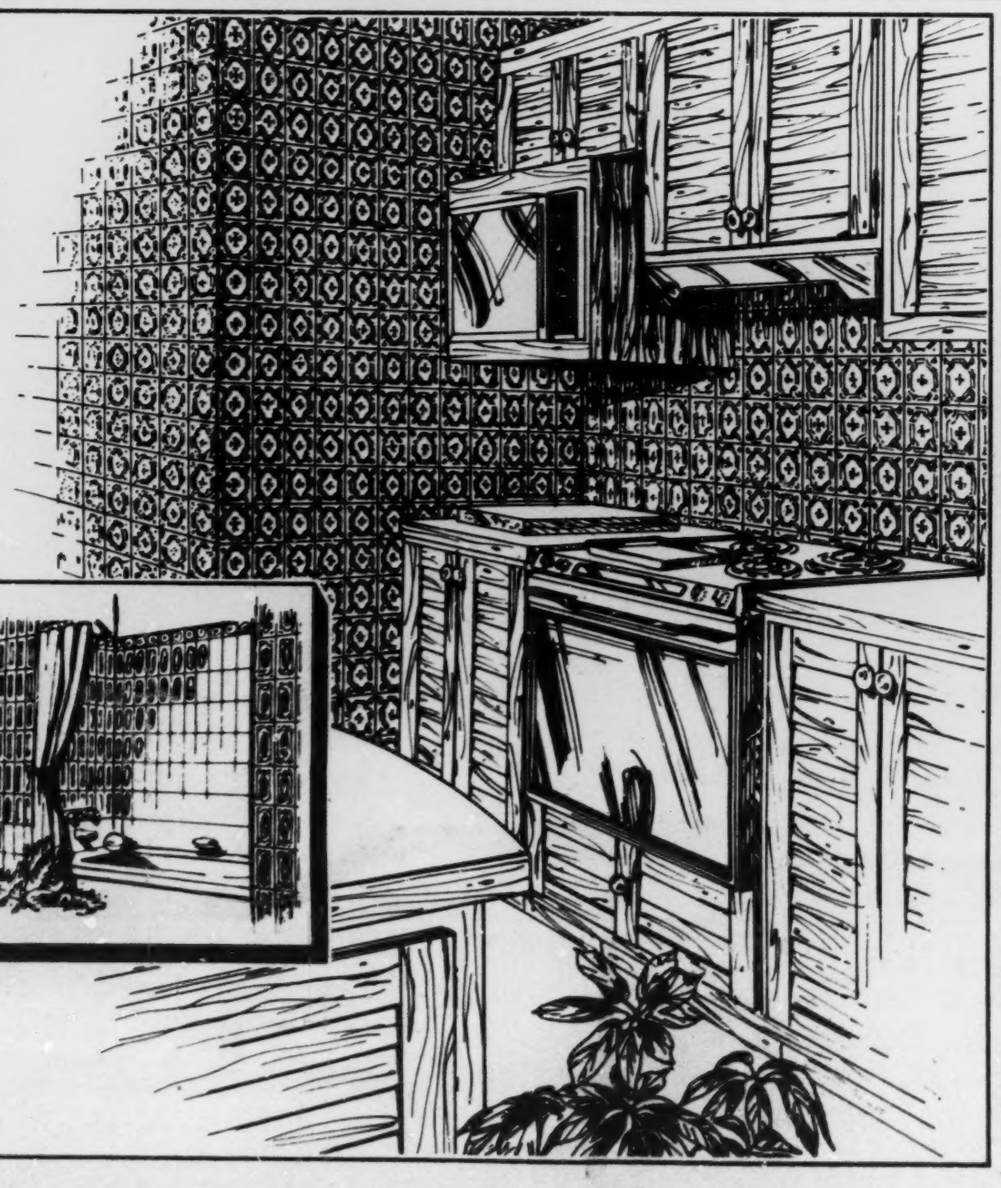

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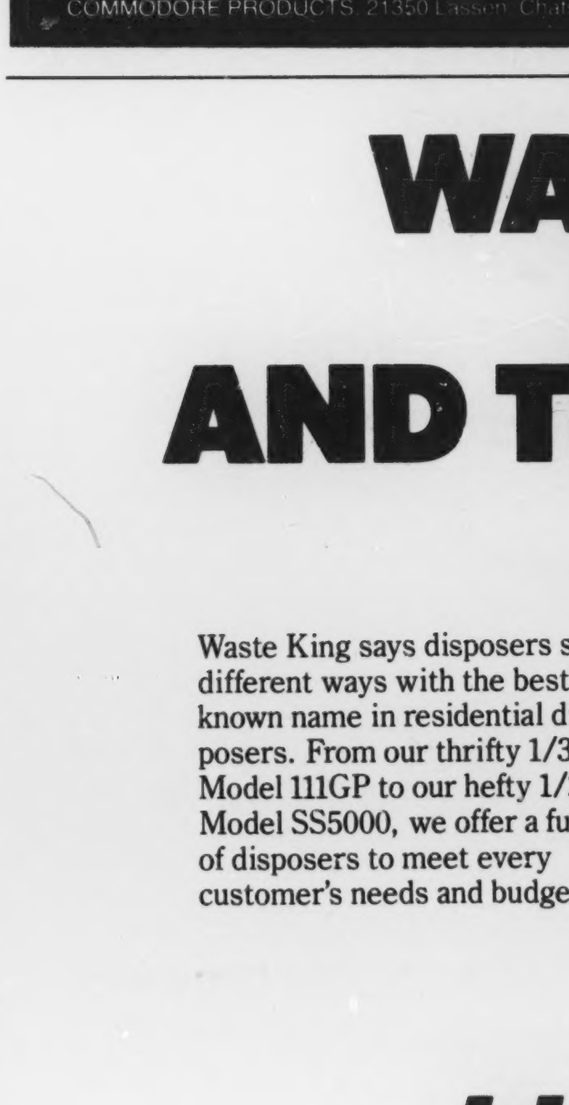

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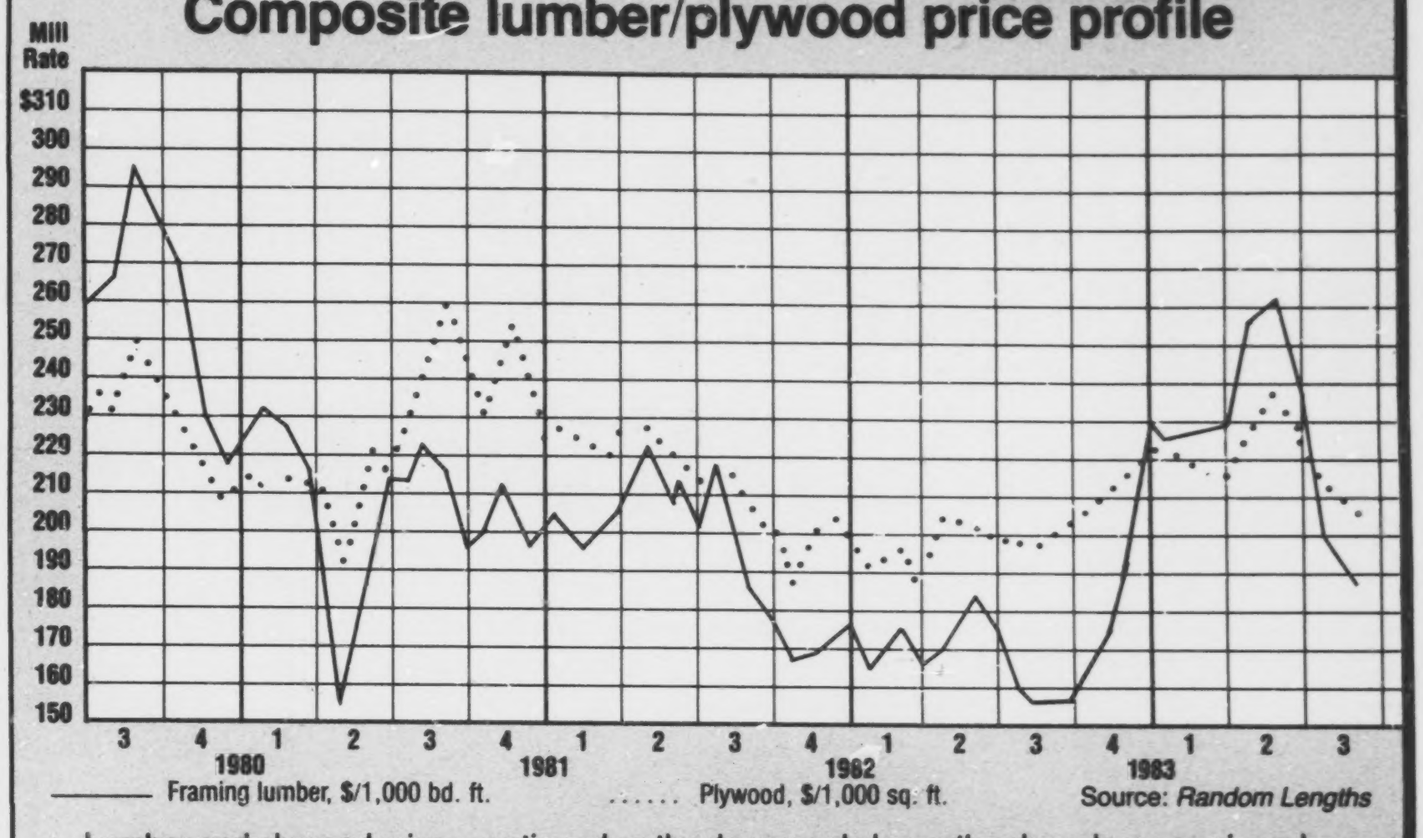
LUMBER REPORT

Composite lumber/plywood price profile



——— Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

Lumber and plywood prices continued on the downward plunge they have been on since June, when the framing lumber composite peaked at $260 per thousand board feet and plywood reached $237 per thousand square feet.

In September the framing lumber composite dropped to $187 per thousand board feet and plywood dipped to $208 per thousand square feet. Despite unexpectedly strong housing start numbers during August, dealers apparently perceived a softer home production situation and continued to buy cautiously.

Some feel that October could bring seasonal lows with, finally, an upswing as mill production slows in anticipation of winter.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Lumber prices soaring skyward, after bottoming out last month

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—It looks like the lumber market is set for a replay of the past year, although maybe without the extreme price roller coaster.

Schept

A year ago this month lumber prices began their climb back from the valley. Between October 1982 and last June Random Lengths' 2x4 s-p-f stud prices rose from below $120 per thousand board feet to over $250, only to plunge about $100 during the summer.

Now in early October, prices are again on their way upward, having bottomed late last month. For a variety of reasons observers generally think that prices will continue to climb.

One of the main reasons is simply that it is fall. The seasonality of wood production and sales dictates that mills begin to curtail production somewhat as winter approaches.

This production slowdown will occur at a time when the pipeline is lean but demand is strong. Robert Berg, forest product group senior economist for Data Resources, notes that end use demand is 15% to 20% higher than it was a year ago.

And housing is strong, stronger than anticipated with seasonally adjusted starts for August reaching almost two million in a month when most observers expected housing activity to decline.

Bill Knochel, Merrill Lynch Commodities assistant vp, adds that the August numbers were not an aberration caused by seasonally adjusting the actual starts figure. The actual numbers for August were high, he points out, and the month's seasonal multiplier was lower than July's when seasonal adjusted starts totaled 1.74 million compared to August's 1.93 million.

Knochel also notes that lumber futures prices are also strengthening and it is not unusual for the future market to approach and even maintain a substantial premium over cash between now and the end of this year. That relationship could ultimately pull cash prices along, he says.

Fold into this mix one more volatile ingredient and you have the makings for why in the next few months lumber prices should strengthen and possibly soar: labor unrest could shut down British Columbian production.

"Prices usually rebound in October," says Berg. "Throw in a strike and you have a real zinger. It could easily get Western spruce back up to $200.

"We should be seeking prices of $180 to $190 by mid-November. With a strike, the sky's the limit. There's nothing in the pipeline. There's not enough buffer in it for any kind of supply disruption. If we get a disruption, they'll be a violent adjustment."

Given all these factors, then, what will retailers do? Probably play it cautiously. As Phil Rogers, Payless Cashways senior merchandising manager for commodities observed: "The industry has gotten smarter over the past three years. I can not see that if housing starts were two million or 2.5 million that we'd go out and take a major position. The industry has gotten smarter in turns and in what we stock."

It was, of course, the supply-demand imbalance caused by cautious dealer buying and mill overproduction that sent prices spiralling downward last summer. But the market has now adjusted. And if demand continues to be strong through winter, dealers will have to buy.

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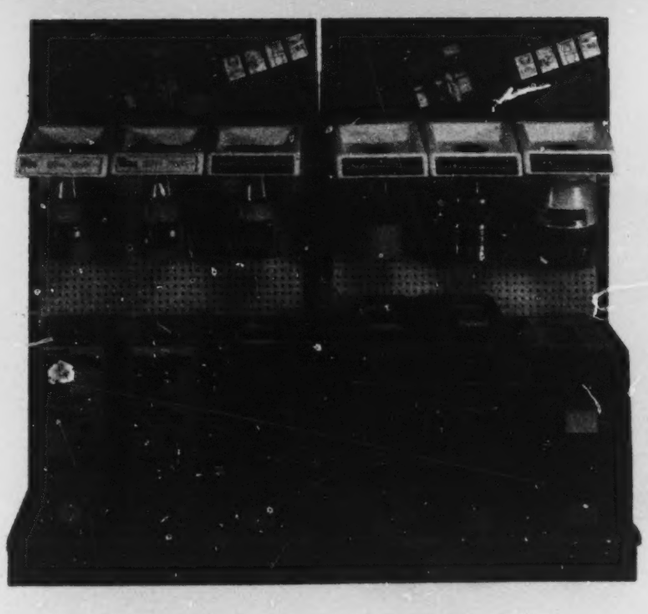

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